
AGENCY OVERVIEW**414 Securities Department**

Date: 12/23/2014**Time:** 12:56:02**Statutory Authority**

North Dakota Century Code Chapters 10-04, 43-10.1, 51-19, and 51-23.

Agency Description

The North Dakota Securities Department is a regulatory agency that serves the citizens of North Dakota through the administration and enforcement of the North Dakota Securities Act (10-04), the North Dakota Commodities Act (51-23), the Franchise Investment Law (51-19) and Pre-Need Funeral Services Law (43-10.1).

Investor protection begins with registration of investment securities, sales firms and agents, franchise offerings and pre-need funeral plan sales. Fees collected are a revenue source for the State of North Dakota. The agency fosters the formation of capital by legitimate North Dakota businesses.

Investigation of fraud and misrepresentation results in money returned to North Dakota investors through rescission, recovery and restitution. Enforcement actions generate state revenues through statutory civil penalties, and consent orders and agreements. Education programs help investors make wise investment decisions and avoid fraud and abuse.

Agency Mission Statement

The primary mission of the Securities Department is to protect the North Dakota Investor through the administration of the North Dakota Securities Act (10-04). We support this mission through our efforts in four functional areas:

- Regulation of the Capital Formation Process
- Registration of Securities Industry Firms and Professionals
- Examinations, Investigations and Enforcement Actions
- Investor Education and Financial Literacy Initiatives

Agency Performance Measures

1. Operate department within budget parameters.
2. Routinely examine broker-dealers and investment advisors registered and with offices in the state.
3. Maintain staff of highly trained, professional, experienced examiners in all divisions.
4. Perform duties in ethical, unbiased, informed and efficient manner.
5. Foster public confidence in regulated industry and capital markets through effective administration of duties.
6. Promote compliance with the Securities Act through routine firm examinations and swift enforcement action when necessary, appropriate and in the public interest.

Annual performance reviews are utilized to determine effectiveness in contributing to agency goals and overall mission. Statistics are maintained for each division and are compared to prior measurement period. However, agency activity is market driven, i.e. broker-dealer, agent, franchise, securities registrations, thus changes in statistics do not directly translate into a measure of agency effectiveness.

Major Accomplishments

1. Assisted 53 North Dakota companies seeking to raise \$269.0 million in capital through securities offerings.
2. Opened 77 investigations of fraud and misconduct perpetrated against North Dakota investors.
3. Returned \$62,236 to victimized North Dakota investors through restitution, rescission and disgorgement.
4. Referred one enforcement matter to a State's Attorney for criminal prosecution. Continue to assist with prosecution.

Future Critical Issues

- Fraud against seniors.
- Evolution of securities products, services and delivery mechanisms.

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- Continued growth in number of investors.
- Continued growth in enforcement caseload.
- Increasing personal responsibility for future financial security.
- Implementation of Regulatory Reform legislation.
- New oversight of mid-size investment advisors managing assets of \$25.0 million to \$100.0 million.

These critical issues require the continued strengthening of the Securities Department's enforcement resources. The ability to execute effective investigations and achieve successful enforcement action outcomes, to the benefit of the harmed ND Investor, will continue to be dependent on the availability of training resources and the ability to contract as needed with outside legal and professional services.

REQUEST SUMMARY

414 Securities Department

Biennium: 2015-2017

Bill#: SB2011

Date: 12/23/2014

Time: 12:56:02

Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
By Major Program					
Investor Protection	1,787,570	2,297,782	(36,876)	2,260,906	100,057
Total Major Program	1,787,570	2,297,782	(36,876)	2,260,906	100,057
By Line Item					
Salaries and Wages	1,492,497	1,673,763	27,901	1,701,664	53,252
Accrued Leave	0	38,927	(38,927)	0	0
Operating Expenses	295,073	585,092	(25,850)	559,242	46,805
Total Line Items	1,787,570	2,297,782	(36,876)	2,260,906	100,057
By Funding Source					
General Fund	1,723,530	2,127,782	(36,876)	2,090,906	100,057
Federal Funds					
Special Funds	64,040	170,000	0	170,000	0
Total Funding Source	1,787,570	2,297,782	(36,876)	2,260,906	100,057
Total FTE	9.00	9.00	0.00	9.00	0.00

REQUEST DETAIL414 Securities Department
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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
Salaries and Wages					
Salaries - Permanent	1,120,314	1,235,848	3,257	1,239,105	0
Salaries - Other	0	0	0	0	53,252
Fringe Benefits	372,183	437,915	24,644	462,559	0
Total	1,492,497	1,673,763	27,901	1,701,664	53,252
Salaries and Wages					
General Fund	1,492,497	1,673,763	27,901	1,701,664	53,252
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
Total	1,492,497	1,673,763	27,901	1,701,664	53,252
Accrued Leave					
Salaries - Permanent	0	38,927	(38,927)	0	0
Total	0	38,927	(38,927)	0	0
Accrued Leave					
General Fund	0	38,927	(38,927)	0	0
Federal Funds	0	0	0	0	0
Special Funds	0	0	0	0	0
Total	0	38,927	(38,927)	0	0
Operating Expenses					
Travel	58,308	59,600	0	59,600	0
Supplies - IT Software	4,950	15,950	(6,450)	9,500	0
Supply/Material-Professional	74,858	75,232	0	75,232	0
Food and Clothing	193	0	0	0	0
Bldg, Ground, Maintenance	389	1,500	0	1,500	0
Miscellaneous Supplies	182	5,500	0	5,500	0
Office Supplies	7,687	12,335	0	12,335	0
Postage	3,826	8,500	0	8,500	0
Printing	5,697	15,000	0	15,000	0
IT Equip Under \$5,000	3,807	21,590	(18,100)	3,490	0
Other Equip Under \$5,000	1,451	4,200	0	4,200	0
Office Equip & Furn Supplies	632	6,800	0	6,800	0
Insurance	2,698	3,100	0	3,100	0
Rentals/Leases-Equip & Other	4,746	8,600	0	8,600	0
Rentals/Leases - Bldg/Land	10,712	12,500	0	12,500	0
Repairs	910	2,200	0	2,200	0

REQUEST DETAIL

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Description	Expenditures 2011-2013 Biennium	Present Budget 2013-2015	Budget Request Change	Requested Budget 2015-2017 Biennium	Optional Budget Request
IT - Data Processing	54,263	32,600	0	32,600	0
IT - Communications	20,434	26,300	0	26,300	0
IT Contractual Svcs and Rprs	6,145	10,900	(1,300)	9,600	46,805
Professional Development	16,960	35,435	0	35,435	0
Operating Fees and Services	3,907	51,750	0	51,750	0
Fees - Professional Services	12,318	175,500	0	175,500	0
Total	295,073	585,092	(25,850)	559,242	46,805
Operating Expenses					
General Fund	231,033	415,092	(25,850)	389,242	46,805
Federal Funds	0	0	0	0	0
Special Funds	64,040	170,000	0	170,000	0
Total	295,073	585,092	(25,850)	559,242	46,805
Funding Sources					
General Fund	1,723,530	2,127,782	(36,876)	2,090,906	100,057
Federal Funds	0	0	0	0	0
Special Funds	64,040	170,000	0	170,000	0
Total Funding Sources	1,787,570	2,297,782	(36,876)	2,260,906	100,057

CHANGE PACKAGE SUMMARY414 Securities Department
Biennium: 2015-2017

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Description	Priority	FTE	General Fund	Federal Funds	Special Funds	Total Funds
<u>Base Budget Changes</u>						
One Time Budget Changes						
A-E 2 IT - Replacement - Upgrade		0.00	(25,850)	0	0	(25,850)
Total One Time Budget Changes		0.00	(25,850)	0	0	(25,850)
Ongoing Budget Changes						
Base Payroll Change		0.00	(11,026)	0	0	(11,026)
Total Ongoing Budget Changes		0.00	(11,026)	0	0	(11,026)
Total Base Budget Changes		0.00	(36,876)	0	0	(36,876)
<u>Optional Budget Changes</u>						
One Time Optional Changes						
A-D 1 Retirement salaries and wages - 3 staffer retire	1	0.00	53,252	0	0	53,252
Total One Time Optional Changes		0.00	53,252	0	0	53,252
Ongoing Optional Changes						
A-C 1 Desktop Support Costs	2	0.00	46,805	0	0	46,805
Total Ongoing Optional Changes		0.00	46,805	0	0	46,805
Total Optional Budget Changes		0.00	100,057	0	0	100,057

BUDGET CHANGES NARRATIVE

414 Securities Department

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Change Group: A	Change Type: C	Change No: 1	Priority: 2
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Desktop Support Costs

This change package is to cover the cost of the desktop support service that ITD is providing. The total biennial cost for 15-17 is \$49,205. We already had \$2,400 budgeted for desktop support so our change package is for the difference (\$46,805).

Change Group: A	Change Type: D	Change No: 1	Priority: 1
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Retirement salaries and wages - 3 staffer retirements

We have three staff members who qualify for retirement. With no roll-up dollars we are asking for the funds to pay their accrued leave.

Change Group: A	Change Type: E	Change No: 2	Priority: 2
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IT - Replacement - Upgrade

Funding for standard 4 year replacement cycle for agency computer hardware and software upgrades.

Change Group: R	Change Type: A	Change No: 1	Priority:
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Desktop Support

Provides funding to cover the cost of Desktop Support that ITD is providing.

Change Group: R	Change Type: A	Change No: 100	Priority:
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Executive Compensation Package Adjustment

Provides funding for recommended 2015-17 compensation adjustments.

Change Group: R	Change Type: B	Change No: 1	Priority:
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Retirement Leave Payout

Provides \$53,252 of one-time funding from the general fund to cover the costs related to two employees anticipated retirements.